

ALASKA HEALTHCARE COMMISSION

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AGENDA

Healthcare costs are unsustainable

What is health insurance?

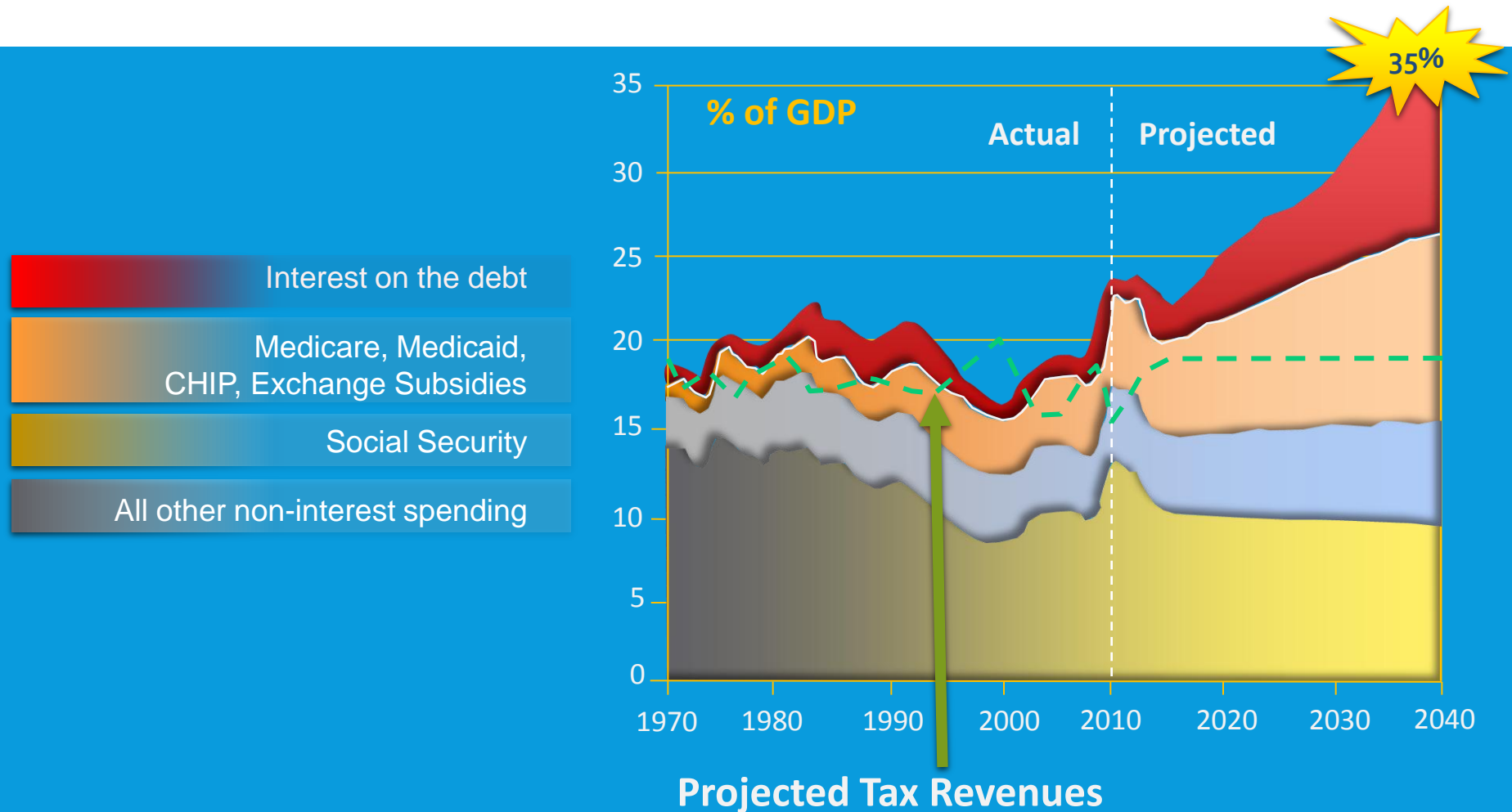
Where does the money go?

Will the **Affordable Care Act** fix the problem?

What is being done by insurers to address cost?

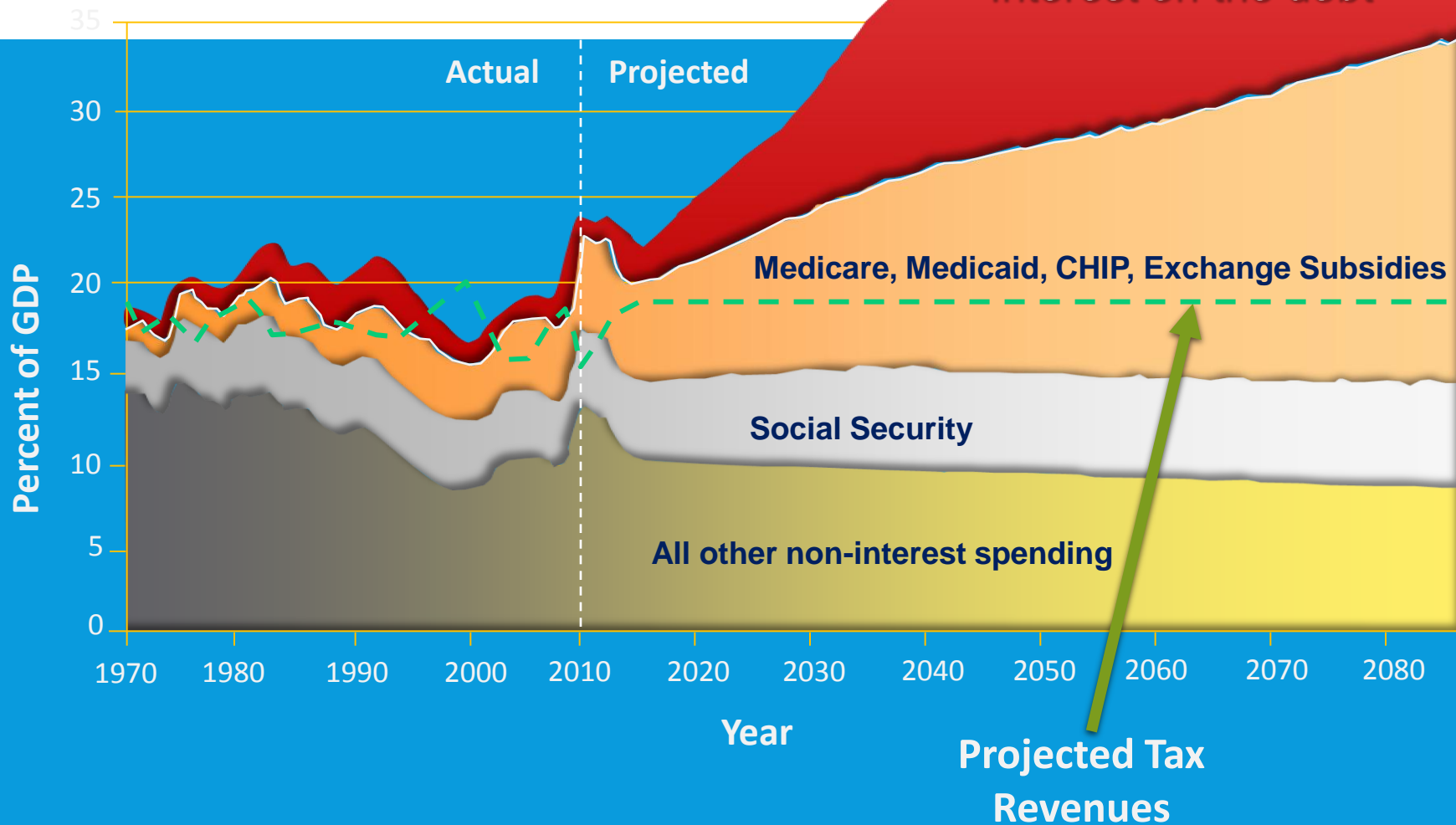
Questions?

UNSUSTAINABLE?



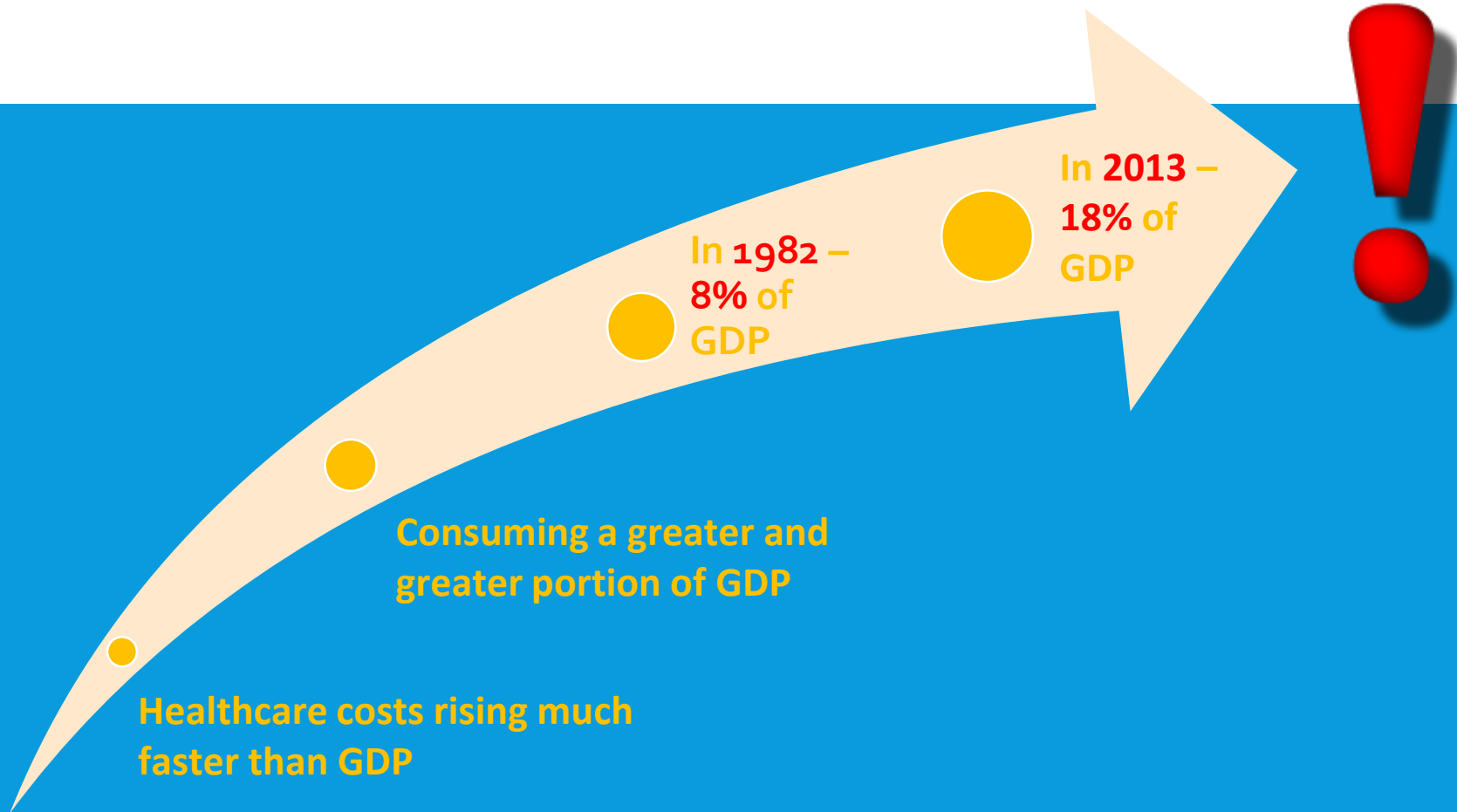
Source: CBO and George Mason University

ANATOMY OF A CRISIS...



Source: CBO and George Mason University

UNSUSTAINABLE?



AK SPENDING COMPARED TO OTHER MARKETS

- AK Small group premiums - **\$650 PMPM**
- WA Small group premiums - **\$325 PMPM**
- Employers and individuals being **crushed** under the financial burden

WHAT IS HEALTH INSURANCE?

Three things make an “event” insurable

1

Undesirable

2

Unpredictable / Individual

3

Predictable / Population

WHAT IS HEALTH INSURANCE?

Originally financial protection

Has been blended with social policy

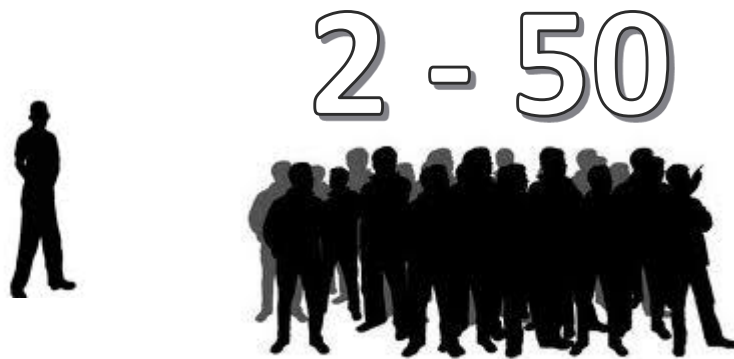
Impacts health status

Viewed by many as a “right”

Not always an “undesirable” event

- Preventive care

WILL THE ACA FIX THIS PROBLEM?



Cost / Prices

January 1, 2014

- Guarantee issue
- No pre-existing condition waiting periods
- Federal subsidies in the exchanges
- Minimum essential benefits
- 11,000 pages of regulations and growing

THE HEALTH INSURANCE DOLLAR

From a dollar of premium to Premera:

- Administration — **6%**
- Premium Taxes and commissions — **2%**
- Profit — **1%**
- Healthcare — **91%**

WHERE DOES THE MONEY GO?

AK Division of Insurance approves rates

Standard – “adequate, but not excessive”

- Health care cost trends
- Administrative costs
- Contingency and risk charges

Reserves – not directly considered

- Reserves exist to cover the future healthcare needs of our clients



WHERE DOES THE MONEY GO?



- Reserves not explicitly considered in rate review
- Reserves exist to cover the future health care needs of covered person – **promise to pay**
- Adequate reserves are required as a condition of operation – **consumer protection**
- Expressed as a percentage of **“risk based capital”**
- Should reserves be used to subsidize rates?

WHAT ARE INSURERS DOING ABOUT COSTS?

- **Improve quality by reducing waste**
 - 30-40% of care is “waste”
 - does no good and often does harm
 - \$1,000,000,000,000 opportunity
- **Engage and empower consumers**
 - Reward educated consumers
 - Choosing wisely
- **Cost Transparency**
- **Integrated Health Management**



WHAT ARE EMPLOYERS DOING ABOUT COSTS?

Personal health status improvement

- Robust, effective worksite wellness

High deductible plans – with HSA/HRA

- Moral hazard
- 30% reduction in claims

Cost transparency

Worksite clinics

Medical tourism



DELIVERY SYSTEM TRANSFORMATION

Empower Primary Care

- Additional pay for quality improvement/waste reduction
- Transparency tools
- Data

Global outcomes contracts

Provider led with carrier support



SUMMARY

- Status quo is unsustainable
- Affordable Care Act will not fix it
- Costs and quality are uneven
- We all have a role to play

QUESTIONS?